



Minutes of the Foreign Exchange Committee

Meeting, October 3, 2012

Host: JP Morgan Chase

Committee attendees:

ADNAN AKANT*	Fischer Francis Trees & Watts
ANTHONY BISEGNA	State Street Corporation
ROBERT BOGUCKI	Barclays
ERIC BUSAY*	CalPERS
ROBERT CATALANELLO	Credit Agricole CIB
STEVEN CHO	Goldman Sachs
PETER CONNOLLY	Wells Fargo
JEFF FEIG	Citigroup
TOM GILLIE	Bank of America Merrill Lynch
MOHAMMED GRIMEH	Standard Chartered
MOTI JUNGREIS	TD Bank
TAHREEM KAMPTON	Microsoft
GIL MANDELZIS	EBS
PAUL RICHARDS	UBS
TROY ROHRBAUGH	JP Morgan Chase
DAVID RUSATE	GE
DANIEL SILBER	HSBC
JOHN TAYLOR*	FX Concepts
CHRIS VOGEL*	Blackrock
PHIL WEISBERG	FXall

* Denotes Buy Side Member

Federal Reserve Attendees

Kirsten Harlow
Marcus Lee
Robert Lerman
Patricia Mosser
Jamie Pfeifer
Simon Potter
Michael Nelson, Counsel

Guests

Lael Brainard, U.S. Treasury Undersecretary for International Affairs
Monica Mills, U.S. Treasury Department
Brad Setser, U.S. Treasury Department
Daleep Singh, U.S. Treasury Department



Welcome

Simon Potter was introduced as the new head of the Markets Group of the Federal Reserve Bank of New York and welcomed to the group. Additionally, U.S. Treasury Undersecretary for International Affairs, Lael Brainard, and other colleagues from Treasury were introduced and welcomed as guests to the meeting.

Market Discussion

The FXC Chair facilitated a discussion on recent global developments and the impact of those developments on the foreign exchange market. Market participants noted that there were no singular themes driving price action but rather a variety of developments across the region that had garnered attention in many financial markets, including foreign exchange.

Members reported a focus on policy announcements in recent weeks from various monetary authorities--including the Federal Reserve, the European Central Bank, and the Bank of Japan--that were perceived to be more accommodative than had been expected. Amid this backdrop, members noted that both real- and implied-volatility in FX, as in other markets, had been subdued. Further, they noted that some investors seemed more willing to establish risk positions but continue to be cautious.

Despite the perceived improvement in risk sentiment, there were various areas of uncertainty highlighted by members looking forward. For example, questions were raised regarding the economic outlook and fiscal situations in the United States, Europe, and in China.

FX volumes were characterized by members as relatively light and largely being driven by developments in other asset markets. Members questioned whether fiscal policy actions may spur a return to the market by investors that have been reluctant to establish risk positions.

Members noted increased unwillingness of non-U.S. counterparties to transact with U.S. domiciled entities as the CFTC's [October 12th counting date](#) approached. Members believed this behavior was due to concerns that such transactions would count toward non-U.S. counterparties' swap dealer registration thresholds and thus require those non-U.S. counterparties to register as swap dealers with the CFTC. Members also noted non U.S. counterparty behavior reflected uncertainty arising from a lack of regulatory clarity about the extraterritorial application of Dodd-Frank regulations and on the status of FX swaps and FX forwards under such Dodd-Frank regulations. Members reported that such concerns and uncertainty were causing many non-U.S. counterparties to avoid or reduce transactions with U.S. firms across various transaction types (including FX swaps and forwards). While members suggested that market liquidity had not yet been adversely impacted, they raised concerns about the impact this could have on market liquidity should this activity escalate further.

Update on BIS Working Group Proposal on Margin Requirements

Patricia Mosser noted that the Working Group on Margining Requirements of the Basel Committee on Banking Supervision and the International Organization of Securities Commissions published a [Consultative Document](#) which included proposed guidance for margin requirements for non-centrally-cleared derivatives for comment.



Patricia Mosser also noted another Basel Committee on Banking Supervision consultative document released in recent months, [Supervisory Guidance for Managing Risks Associated with the Settlement of Foreign Exchange Transactions](#).

FX Public Aggregate Reporting Industry Efforts

Patricia Mosser cited DTCC's May 2012 [press release](#) citing efforts to establish aggregate public data reporting capabilities for foreign exchange products. It was noted that DTCC indicated that it would work to accomplish such reporting with various stakeholders, including the central bank-sponsored foreign exchange committees. It was noted that this engagement is ongoing.

Discussion on Use of Benchmark Fixes in FX Market

FRBNY representatives expressed a desire to gather more information about the range, type, and use of benchmarks in the foreign exchange market.

Other Business

- The next meeting for the FXC is scheduled for Wednesday November 7th at 12:30 PM and will be hosted by TD Securities.